

Message Text

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ACTION AID-59

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FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 2940

INFO AMEMBASSY BANGKOK

USDA/FAS WASHDC

C O N F I D E N T I A L JAKARTA 2695

STATE PASS AID

E.O. 11652: GDS

TAGS: EAID, ID

SUBJECT: CY 1976 PL-480, TITLE I PROGRAM

REF: A) STATE 038879 B) JAKARTA 1756 C) JAKARTA 0729

D) STATE 023182 E) STATE 043969

1. IN PREPARING RESPONSE TO REF A I FIRST WANT TO STATE THAT I IS IMPOSSIBLE FOR THIS MISSION NOT TO DISCUSS SUBJECT PROGRAM WITH GOI AS REQUESTED FINAL SENTENCE PAR. 1 SINCE IT IS THEY WHO LEARNED FROM THEIR WASHINGTON EMBASSY ABOUT COMMODITY SPLIT AS REPORTED PAR. 3, REF B AND THUS CONSTANTLY QUESTION OUR AGATTACHE AS TO WHAT THIS ALL MEANS. THE GOI AND WE HAVE INDEED ALTERED OUR EARLIER VIEWS ON COMMODITY PREFERENCE RESULTING IN REF C RECOMMENDATION DUE SAMPLE FAST OUR PROBLEM WITH WHEAT HAS LESS SERIOUS EFFECT ON INDONESIAN ECONOMY THAN DOES GOI PROBLEM ON COTTON IF THEY CANNOT EFFECTIVELY DEAL WITH LARGE TEXTILE INDUSTRY.

2. GIVEN THE ABOVE AND DESPITE FACT REF C RECOMMENDATION WAS RECEIVED IN WASHINGTON JUST AFTER COMMODITY SPLIT PROPOSAL WAS MADE TO ISC JANUARY 15, GOI QUITE WILLING TO CONSIDER COTTON UNDER NEW AGREEMENT WITH UMR PROVISION UNDERSTOOD PAR. 4, REF D ONLY IF REPEAT ONLY IF THIS MEANS THAT THEY WILL RECEIVE THE ADDITIONAL COTTON VALUED
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AT \$15 MILLION PLUS BALANCE DUE FROM MAY 30, 1975 AGREEMENT

INCLUDING ASSURANCE THAT 3-YEAR CCC CREDIT FINANCING CAN BE MADE AVAILABLE FOR THEM TO WORK OFF U.S. PORTION NEW UMR REQUIREMENT. TOTAL CY 1976 SHIPMENTS WOULD THEREFORE BE AS FOLLOWS: (APPROX.000 BALES)

	PL-480	COMMERCIAL (UMR)
BALANCE LAST AGREEMENT	50	65 (SHORTFALL U.S.)
NEW AGREEMENT	50	115 (GLOBAL)
TOTAL	100	180

3. WHILE RESPONSE TO REF E FOLLOWS IT IS IMPORTANT TO POINT OUT THAT LESS THAN 3-YEARS CCC FINANCING WILL BE UNATTRACTIVE TO GOI GIVEN HIGH U.S. COTTON PRICES AND RISKS THEY MUST ASSUME WITH SPINNING MILLS. \$16.2 MILLION CCC APPROVED CREDIT WILL INDEED WORK OFF MOST OF CY 1975 SHORTFALL BUT FAILURE TO PROVIDE FULL AMOUNT ON MOST FAVORABLE TERMS TO MEET NEW UMR WILL ALSO CAUSE GOI DIFFICULTY IN ACCEPTING COTTON UNDER NEW AGREEMENT AND TO MAINTAIN CURRENT HIGH INTEREST IN PURCHASING U.S. COTTON.

4. WITH REGARD TO QUESTIONS RAISED PAR. 3, REF A RTG WAS FIRST INFORMED OF GOI WILLINGNESS TO ACCEPT RICE UNDER PL-480, TITLE I PROGRAM BY GENERAL ARIFIN HIMSELF DURING HIS FIRST VISIT TO BANGKOK IN LATE DECEMBER LAST YEAR WHICH LED TO FOLLOW-UP VISIT AND FINAL SIGNING FIRST 100,000 MT PURCHASE FROM THAILAND IN EARLY FEBRUARY THIS YEAR. 100,000 MT PLUS FIGURE WAS GIVEN TO THAI OFFICIALS FOR CY 1976 DELIVERY FROM U.S. WITHOUT ANY RTG REACTION. GENERAL ARIFIN STATES THAT HIS DISCUSSIONS WITH THAI OFFICIALS ARE WELL UNDERSTOOD ON THIS MATTER SINCE HE MUST CONSIDER RICE PURCHASES FROM SEVERAL SOURCES AND NOT JUST THAILAND GIVEN PRICE AND CREDIT ADVANTAGES DUE GOI CONTINUED FINANCIAL SITUATION.

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